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SUBJECT: SHELL SAYS NIGERIA NEEDS OVERHAUL

Classified By: Ambassador John Campbell per 1.4 b and d

[11.](#) (C) Summary: Shell Petroleum Development Corporation (SPDC) Managing Director (MD) Basil Oyimi told Ambassador he is concerned with President Obasanjo's "over-personalization" of reform. The lack of institutional underpinnings means Nigeria will be "back to square one" in 2007. Oyimi argued Nigeria needs a long-term institutional custodian for reform, which would focus on the civil service, security, and anti-corruption and good governance throughout every level of government. This structure should be led by someone like finance minister Okonjo-Iweala, he maintained. Oyimi solicited USG support in selling the idea to President Obasanjo and to the international community. The Ambassador responded that Washington and other capitals would require clear reasons for supporting such an initiative and would be wary of Nigeria establishing yet another corrective institution. End Summary.

Oyimi: We Need Ministry of Transformation

[12.](#) (C) SPDC MD Oyimi told Ambassador President Obasanjo had achieved modest gains under his reform program. He worried, however, the president had overly personalized the process, without creating the necessary institutional framework to sustain reform beyond his tenure. Obasanjo's personalization of the reform process meant the next president in 2007 would likely follow suit by creating new versions of watch-dog agencies such as the Economic Financial Crimes Commission (EFCC) and Independent Corrupt Practices Commission (ICPC) and staffing them with "his people."

[13.](#) (C) Oyimi argued Nigeria needs "a transformation ministry," that would focus on reform over a ten-year horizon. This ministry or structure should receive heavy organizational support from the World Bank and UNDP and should focus on civil service and police/security reform. It should right-size government, insist on professional competency, and most importantly, in Oyimi's view, inculcate anti-corruption and good governance values across every tier of government.

Ngozi Type Should Lead It; Hand of Oil Companies  
and International Community Must Be Invisible

[14.](#) (C) Oyimi said normally this type of initiative should be spearheaded by the Vice President, but VP Atiku was anathema to Obasanjo. The new ministry could not appear to be imposed on Nigeria and the public would accept only a Nigerian at its helm. The leader of the organization would also require impeccable international credentials. Finance Minister Ngozi Okonjo-Iweala or "a man like her" would be the ideal candidate in Oyimi's view.

[15.](#) (C) Asked about the role of major oil companies and that of the international community, Oyimi replied he is still in the brainstorming stage and has not yet broached the concept with industry counterparts. The U.S. and the international community are needed to sell the idea to Obasanjo but they should not be seen as its architects. Obasanjo is good at "taking a sketch and running with it, but will resist if he thinks his hand is being forced."

Use "Legacy" To Hook Obasanjo but  
Where's the Hook for International Community?

[16.](#) (C) Oyimi predicted the "legacy" argument would resound most with Obasanjo. The proposed structure/ministry would complement the president's "economic legacy" and should be pitched to Obasanjo as the "governance legacy." Through this structure, Obasanjo would help ensure that reforms did not end with his tenure. Oyimi's external affairs director Precious Omuku stated the National Political Reform Conference (NPRC) might serve as a vehicle for advancing this proposal.

[17.](#) (C) Ambassador took note of the proposal and said it had apparent merits. He advised, however, the international community would be wary of yet another new Nigerian

governmental or quasi-governmental body. The GON, he said, had a habit of creating new structures to deal with old problems. Moreover, the Ambassador noted that to some degree the problems Oyimi sought to address -- incompetent civil servants, bloated state and federal bureaucracies, etc. -- were internal Nigerian issues. The USG other international partners would be interested in two things as it considered whether to support this initiative: 1) How does the redressing of these internal GON deficiencies benefit their interests? and 2) What will ensure the efficacy of the new proposed structure/ministry?

18. (C) Oyimi responded that "transforming" Nigeria's civil service and inculcating anti-corruption and good governance values would make Nigeria more attractive to new foreign investors. It would also improve the environment in which current investors, including U.S. firms, operate. The uniqueness of this initiative is that it would be the first to combine security, transparency, and governmental performance under one organizational umbrella.

#### SPDC Faces Challenges but Progressing Relatively Well

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19. (C) Changing gears toward Shell's more traditional vocation, SPDC staff told Ambassador that SPDC was doing relatively well in Nigeria, but faced serious challenges, including community unrest, bunkering, lack of access to Ogoni land, aging assets, and pipeline sabotage. The biggest challenge, they maintained, was lack of funding from the GON for joint-venture projects. The president, they said, would like to grow oil revenues, but in order to accomplish this, SPDC needs more capital investment from the GON.

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Comment

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110. (C) The proposed "transformation ministry" is interesting. However, Oyimi did not adequately address our bottom-line questions of how would such a ministry benefit USG interests and why would this body work any better than the current structures. The conversation held at Oyimi's initiative, illustrates, however, that the biggest single player in Nigeria's oil and gas sector is concerned the current reform effort has shallow roots and its life span may be no longer than Obasanjo's tenure. End Comment.

BROWNE